

## Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 OPIC-03 L-03 COME-00 HEW-02

TRSE-00 CIAE-00 INR-07 NSAE-00 FTC-01 PM-03 NSC-05

SP-02 SS-15 H-02 /057 W

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R 051529Z JUN 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 2925

INFO AMCONSUL BKAVU

AMCONSUL LUBUMBASHI

C O N F I D E N T I A L KINSHASA 4824

E.O. 11652: N/A

TAGS: ECON, EINV, CG

SUBJECT: INTENDED GOZ TAKOVER OF PHARMACEUTICAL INDUSTRY: MORE  
DROM DR. CLOSE

REF: A. KINSHASA 4301, B. KINSHASA 4302, C. STATE 122993

1. REF A AND B REPORTED INITIAL MOVES BY GOZ TOWARD TAKING  
CONTROL OF PHARMACEUTICAL SECTOR. MAY 30 EMBOFF PRESENTED  
TO DR. CLOSE CONSOLIDATED LIST OF QUESTIONS POSED BY INDIVI-  
DUAL AMERICANS FIRMS. CLOSE DID NOT APPEAR SURPRISED BY  
NATURE OF QUESTIONS, MOST OF WHICH SOUGHT CLARIFICATION OF  
POSSIBILITIES FOR COMPENSATION FOR THOSE FORCED OUT OF  
BUSINESS OR MORE DETAILS ON IMPLEMENTATION. HE DECLINED  
TO HAZARD ANY RESPONSES AT THAT TIME, BUT INDICATED INTEN-  
TION OF PROVIDING OFFICIAL GOZ POSITION AND ANSWERS TO  
QUESTIONS DIRECTLY TO FIRMS AFFECTED ONECE POSITION AND  
ANSWERS FULLY WORKED OUT AND APPROVED. EMBOFF GIVEN  
DISTINCT IMPRESSION THAT TIMING MATTER OF VERY FEW WEEKS  
AT MOST. CLOSE ALSO MADE CLEAR THAT WHILE HE WILLING TO  
TO ACCEPT LIST OF COMPANIES' QUESTIONS FROM EMBASSY HE  
FEELS EMBASSY ROLE LIMITED IN PRESENT DIALOGUE. EMBOFF  
REEMPHASIZED POINT MADE PREVIOUSLY BY ECON COUNSELOR THAT  
EMBASSY ROLE COULD AND WOULD BECOME CONSIDERABLY LARGER  
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IF COMPENSATION PROBLEMS SHOULD ARISE OUT OF NEW PROGRAM.

2. CLOSE MADE CLEAR HE FEELS THERE ROOM FOR "SOME INPUT" INTO NEW SYSTEM BY FIRMS HE FEELS HAVE DEALT HONESTLY (ON OVERALL INDUSTRY STANDARDS) AND IN GOOD FAITH (KEPT GOODS FLOWING DURING FOREIGN EXCHANGE CRISIS). AS TO SPECIFIC AMERICAN INTERESTS, HE GAVE IMPRESSION THAT WARNER-LAMBERT IN GOOD SHAP, SOME PHAR (DAVE QUINLAN) NOT RPT NOT IN GOOD SHAPE, OTHER IN SATISFACTORY POSITION.

3. DR. CLOSE MADE CLEAR THAT GOZ PURPOSE IN TAKING CONTROL OF PHARMACEUTICAL SECTOR IS TO ASSURE ADEQUATE AND CONTINUED SUPPLY OF ESSENTIAL PRODUCTS AT LOWEST POSSIBLE PRICES. HE CLAIMED ENTIRE PHARMACEUTICAL INDUSTRY INDULGES IN SYSTEM OF EXCESSIVE MARK-UPS WHICH SIMPLY INTOLERABLE IN DEVELOPING COUNTRY SUCH AS ZAIRE. IN ADDITION, ENORMOUS QUANTITIES OF SUPPOSEDLY USELESS ITEMS BEING CONSTANTLY PAWNED OFF ON PUBLIC WHICH UNABLE AFFORD BEING CHEATED IN SUCH CRITICAL AREA. HE BROUGHT UP ONCE AGAIN HIS LIST OF 86 BASIC DRUGS WHICH HE WANTS TO MAKE STARTING POINT OF NEW SYSTEM, BUT ALSO MENTIONED ANOTHER LIST OF SECONDARY ITEMS WHICH NOW IN NEIGHBORHOOD OF 400 AND BEING PARED DOWN.

4. DR. CLOSE EXPRESSED CONFIDENCE THAT PROGRAM WOULD NOT RPT NOT HINDER FIRMS WHICH TRULY INTERESTED IN COOPERATING WITH GOZ FROM INVESTING IN ZAIRE. STERLING WAS MENTIONED BY NAME AS PROSPECT WHICH STILL VERY MUCH ALIVE.

5. JUNE 2, DR. CLOSE CALLED EMBOFF TO HIS OFFICE TO GET EMBOFF'S REACTION TO FIRST DRAFT OF RESPONSES TO QUESTIONS SUBMITTED MAY 30. OTHER THAN DIRECT "YES" TO QUESTION WHETHER TAKEOVER WOULD INCLUDE VETERINARY AND SURGICAL MATERIALS, ANSWERS WERE LESS THAN SATISFACTORY. TYPICAL IS FOLLOWING: COMPANY QUESTION. CAN COMPANIES BE FORCED OUT OF MARKET BY NEW PROGRAM EXPECT COMPENSATION FOR PROPERTIES AND ASSETS LOST? ANSWER. WHY SHOULD ANYONE WILLING TO DEAL HONESTLY AND IN GOOD FAITH BE FORCED OUT OF MARKET? EMBOFF QUESTION. WHAT ABOUT THOSE FIRMS WHICH DO NOT MEET YOUR DEFINITION OF HONEST OR OPERATING  
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IN GOOD FAITH? CLOSE ANSWER. TO HELL WITH THEM\*  
EMBOFF QUESTION. WHAT ABOUT THOSE FIRMS THAT MEET YOUR CRITERIA BUT DECIDE THEY DO NOT WISH TO OPERATE UNDER NEWLY IMPOSED CONDITIONS. CLOSE ANSWER. THEY CAN EXPECT SOME COMPENSATION, SUBJECT TO PRIORITIES OF THE GOVERNMENT VIS-A-VIS FOREIGN EXCHANGE, I.E. THEY WILL HAVE TO WAIT A WHILE, AFTER ALL "RESCHEDULING IS THE NAME OF THE GAME NOW IN ZAIRIAN FINANCES. RIGHT?"

6. COMMENT: UNITED FRONT WHICH EMBASSY INITIALLY SUC-

CEDED IN PUTTING TOGETHER BEING SYSTEMATICALLY DIS-  
MANTLED BY DR. CLOSE. HE ADMITS HE CALLING IN ONE-BY-ONE  
THOSE FIRMS WITH WHICH HE FEELS FUTURE RELATIONSHIP  
POSSIBLE. THEY, IN TURN, APPARENTLY RECEIVING ADMONITION  
SIMILAR TO ONE JUDICIOUSLY IMPLIED TO EMBOFF THAT DIA-  
OGUES AND FUTURE RELATIONSHIPS STAY OPEN ONLY WITH THOSE  
WHO KEEP MOUTHS SHUT OUTSIDE THE MOST INNER OF SANCTUMS  
THE GOOD DOCTOR'S OFFICE. EXAMPLE: GROSSMAN OF WARNER-  
LAMBERT TALKED WITH EMBOFFS AFTERNOON MAY 29 JUST PRIOR  
TO CALLING ON DR. CLOSE SAME AFTERNOON AT CLOSE'S REQUEST.  
GROSSMAN INDICATED HE WOULD RETURN NEXT MORNING AND LET  
US KNOW WHAT HAD TRANSPIRED. WE HAVE NOT SEEN HIM SINCE,  
YET CLOSE IS SPEAKING WELL OF HIM.

7. IT VIRTUALLY CERTAIN THAT AT LEAST MINOR AMERICAN  
INTERESTS WILL BE NEGATIVELY AFFECTED BY PHARMACEUTICAL  
PROGRAM. IF PARTIES INVOLVED DO NOT RPT NOT TURN OUT TO  
HAVE BEEN EXCESSIVELY UNETHICAL IN DEALINGS, WE WILL BE  
UNDER PRESSURE TO LINE UP SOLIDLY BEHIND THEM. ON OTHER  
HAND, FIRMS LIKE WARNER-LAMBERT AND POSSIBLY STERLING  
LOOK MORE AND MORE LIKELY TO RECEIVE INSIDE TRACK TO MUCH  
LARGER SHARE OF LOCAL MARKET THAN US FIRMS NOW HAVE TO-  
GETHER. STRONG DEFENCE OF SOME PHAR, FOR EXAMPLE, COULD  
POSSIBLY TORPEDO WARNER-LAMBERT.

8. TO PUT US PHARMACEUTICAL EXPORTS IN ZAIRE IN  
PERSPECTIVE, LOCAL STATISTICS SHOW PHARMACEUTICAL IMPORTS  
AT \$25 MILLION ALTHOUGH WE UNDERSTAND 40 MILLION IS  
BETTER FIGURE. US SCHEDULE B EXPORT STATISTICS SHOW  
ONLY \$1.8 MILLION TO ZAIRE.

9. IN CIRCUMSTANCES, WE ARE RETHINKING OUR TACTICS. END  
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COMMENT. HINTON

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## Message Attributes

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